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SIPDIS

STATE FOR EB/IFD/OIA
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TREASURY FOR OIA

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SUBJECT: SPAIN: 2004 APPENDIX TO 2003 INVESTMENT CLIMATE
STATEMENT

REF: STATE 141379

[1](#)1. Spain - July 2004 Appendix to 2003 Investment Climate
Statement

[1](#)2. This appendix serves as an update to the 2003 Investment
Climate Statement for Spain. It has been provided to assist
investors in the interim period resulting from the U.S.
Government's decision to begin publishing the Country
Commercial Guide (of which the Investment Climate Statement
is a chapter) on a calendar year basis, in January instead of
August.

[1](#)3. The United States Government has reviewed the 2003
Investment Climate Statement for Spain, and has noted the
following changes that have occurred since its publication.
In most circumstances, if a portion of the 2003 Investment
Climate Statement has not been modified in this appendix, it
is because the U.S. Government is satisfied that it continues
to accurately reflect the state of affairs in Spain.

[1](#)4. Openness to Foreign Investment: No significant changes
since 2003.

Conversion and Transfer Policies: No significant changes
since 2003.

Expropriation and Compensation: No significant changes since
[1](#)2003.

Dispute Settlement: No significant changes since 2003.

Performance Requirements and Incentives: Instead of the
Ministry of Science and Technology issuing incentives, the
Ministry of Industry, Tourism and Trade now issues them.

Right to Private Ownership and Establishment: No significant
changes since 2003.

Transparency of the Regulatory System: No significant changes
since 2003.

Efficient Capital Markets and Portfolio Investment: CNMV,
Spain's SEC equivalent is leading the effort to develop a
strong system of corporate governance and transparency. CNMV
is hoping to transfer the behavior and traditional habits of
Spain's small universe of dominant companies. Under the new
standards, all companies listed on the Spanish stock
exchange must publish an annual corporate governance report
that details their compliance with CNMV's best practices or
explain why they have chosen not to do so. The government's
"Golden Share" takeover veto rights are being phased out due
to their incompatibility with EU law.

In 2003, new Spanish gross investment abroad was USD 29.5
billion, showing a significant drop from the 2002 annual
level of USD 50.5 billion.

Political Violence: On March 11 Islamic extremist terrorists
attacked Madrid's central train station. The government has
worked to round up the perpetrators and to monitor the
situation with respect to Islamic extremist terrorism.

ETA has killed 46 persons since January 2000.

Pro-ETA vandalism has decreased in the last year and a half,
going from 448 actions in 2002 to 150 in 2003. As of May
2004, there were a total of 85 cases of street violence.

Another smaller leftist terrorist group called GRAPO has
occasionally acted against government interests. The latest
action on the part of this group was a bank robbery in June
2003, from where they took EUR 200,000. The three people
involved were arrested in December 2003. Other arrests and
prosecution orders on already arrested GRAPO members have
taken place in the last months.

Corruption: No significant changes since 2003.

Bilateral Investment Agreements: Spain established new
bilateral investment agreements with Bosnia and Herzegovina

(2003), Federal Republic of Yugoslavia (2004), Guatemala (2004), Republic of Albania (2004), Republic of Equatorial Guinea (2004), and Republic of Uzbekistan (2004).

OPIC and Other Investment Insurance Programs: No significant changes since 2003.

Labor: Employment for first quarters of 2004 show that there were about 19.6 million Spaniards in the work force.

Meanwhile, unemployment continued its decrease from the 1994 high of 24.2 percent down to 11.38 percent in the first quarters of 2004. Unemployment for women continues to be substantially higher than the male average, at 15.71 percent compared to 8.38 percent.

Labor market reforms in 1994, 1997, and 2002 have eased but not fundamentally changed the difficult labor situation, with the result that one-third of all employed Spaniards are classified as temporary hires. The government has implemented three rounds of reforms to liberalize hiring practices and the Congress continues to discuss further labor reforms.

Collective bargaining is widespread in both the private and public sectors, except for military personnel. Sixty percent of the working population is covered by collective bargaining agreements although only a minority (generally estimated to be about 15 to 20 percent) are actually union members.

The constitution guarantees the right to strike and it has been interpreted to include general strikes called to protest government policy. According to the National Business Association, as of June 30, 2003, there had been 275 strikes, with approximately 381,000 participants and 1 million lost workdays. The law prohibits retaliation against strikers. There were no general strikes during 2003.

Foreign Trade Zones/Free Ports: No significant changes since 2003.

Foreign Direct Investment Statistics: Statistics will be updated in the next full version of the Investment Climate Statement, which will be published in January 2005. France and Sweden invested more in Spain in 2003 than previous years and are now considered major foreign investors.

ARGYROS